

# INTRODUCTORY SECTION



# BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT

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Cover Page: Photograph by Mariann Kovats

## INTRODUCTORY SECTION

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**BEACH EROSION AUTHORITY FOR CLEAN  
OCEANS AND NOURISHMENT**

**(BEACON)**

**BASIC FINANCIAL STATEMENTS**

**Fiscal Year Ended  
June 30, 2008**

**Board Members:**

Steve Bennett	Supervisor, County of Ventura
Brian Brennan	Councilmember, City of San Buenaventura
John Flynn	Supervisor, County of Ventura
Michael Ledbetter	Councilmember, City of Carpinteria
Janet Wolf	Supervisor, County of Santa Barbara
Salud Carbajal	Supervisor, County of Santa Barbara
Das Williams	Councilmember, City of Santa Barbara
John Sharkey	Councilmember, City of Port Hueneme
John Zaragoza	Councilmember, City of Oxnard
Jonny Wallis	Councilmember, City of Goleta

**Administrative:**

Brian Brennan	Executive Director
Kevin Ready	Legal Counsel
Christine L. Cohen	Auditor-Controller
	BEACON Chief Financial Officer

# FINANCIAL SECTION



PARTNERS  
JAMES E. LUTZ II, CPA  
DAVID M. ERLBAUM, CPA  
SHALENE M. HAYMAN

**LUTZ, LAW & ERLBAUM**  
CERTIFIED PUBLIC ACCOUNTANTS  
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### **Independent Auditor's Report**

Board of Directors  
Beach Erosion Authority for Clean Oceans and Nourishment  
(BEACON)

We have audited the accompanying basic financial statements of the Beach Erosion Authority for Clean Oceans and Nourishment (BEACON) as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of BEACON's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BEACON as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2009, on our consideration of BEACON's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 21 through 22, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise BEACON's basic financial statements. The accompanying financial information listed as supplementary information on pages 23 through 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. That information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Lutz, Law & Erlbaum".

LUTZ, LAW & ERLBAUM  
Certified Public Accountants

January 21, 2009



**MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS  
(UNAUDITED)**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Beach Erosion Authority for Clean Oceans and Nourishment (BEACON) annual basic financial statements presents a discussion and analysis of BEACON's financial performance during the fiscal year ended June 30, 2008.

### FINANCIAL HIGHLIGHTS

- The assets of BEACON exceeded its liabilities at the close of fiscal year 2007-08 by \$84,705 (net assets). This amount is unrestricted and may be used to meet BEACON's ongoing obligations to creditors.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to BEACON's basic financial statements. BEACON's basic financial statements comprise three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the basic financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of BEACON's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of BEACON's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of BEACON is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses reported in this statement include some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 11 to 12 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. BEACON uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of BEACON are categorized as governmental funds.

*Governmental funds.* *Governmental funds* focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The fund financial statements can be found on pages 13 to 14 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 15 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Agency's budgetary schedules. The agency adopts an annual appropriated budget for all of its funds. Budgetary comparison schedules for the general fund has been provided to demonstrate compliance at the legal level of budgetary control. Required supplementary information can be found on pages 21 to 22 of this report.

**Supplementary Information.** Supplementary information includes the project descriptions and the schedules for revenue and expenditures by project and project expenditures by category. Supplementary information can be found on pages 23 through 26 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL STATEMENT ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$84,705 at the close of fiscal year 2008, due to unexpended assessment dues and investment earnings from prior and current years.

The following is a summary of BEACON's assets, liabilities and net assets comparing FY 2007-08 with FY 2006-07:

Summary of Net Assets Governmental Activities June 30, 2008 and 2007			
	FY 2007-08	FY 2006-07	Percent Increase (Decrease)
Cash and investments	\$ 96,339	\$ 63,370	52%
Current and other assets	<u>75,784</u>	<u>54,772</u>	38%
Total assets	172,123	118,142	46%
Current and other liabilities	\$ <u>87,418</u>	\$ <u>53,981</u>	62%
Net assets			
Unrestricted	<u>84,705</u>	<u>64,161</u>	32%
Total net assets	\$ <u>84,705</u>	\$ <u>64,161</u>	32%

BEACON's total net assets of \$84,705 increased by 32% compared with the prior year.

At the end of FY 2007-08, BEACON accrued all amounts owed but not yet paid by year-end. The accounts payable and other liabilities of \$87,418 for FY 2007-08 increased by \$33,437, or 62%, compared to the prior year due to an increase in operating activity principally relating to the commencement of the Coastal Regional Sediment Management Master Plan (CRSMP) project.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the changes in net assets comparing FY 2007-08 with FY 2006-07:

Summary of Activities Governmental Activities			
	FY 2007-08	FY 2006-07	Percent Increase (Decrease)
Revenues:			
Program revenues:			
Assessment dues	\$ 72,000	\$ 72,000	0%
Grant revenue	153,838	359,142	(57)%
General revenues:			
Use of money and property	3,963	4,937	(20)%
Miscellaneous revenue	-	600	(100)%
Total revenues	<u>229,801</u>	<u>436,679</u>	(47)%
Expenses:			
Administrative	53,921	60,564	(11)%
Technical and engineering services	142,941	357,995	(60)%
Miscellaneous expenditures	<u>12,395</u>	<u>11,803</u>	5%
Total expenditures	<u>209,257</u>	<u>430,362</u>	(51)%
Change in net assets	20,544	6,317	225%
Net assets, beginning	<u>64,161</u>	<u>57,844</u>	11%
Net assets, ending	<u>\$ 84,705</u>	<u>\$ 64,161</u>	32%

BEACON received total revenue of \$229,801 in FY 2007-08, which is a decrease of \$206,878 or 47%, compared with the prior year's total revenues of \$436,679. This is primarily due to a decrease in projects funded by the Department of Boating and Waterways.

In FY 2007-08, BEACON received \$153,838 from Boating and Waterways for the Coastal Sediment Management Master Plan, the Coast of California Storm and Tidal Wave Study, and the Coastal Regional Sediment Management Master Plan Projects. This represents a \$205,304 decrease compared with the prior year. As of June 30, 2008, \$74,905 of Boating & Waterways' grant awards is available for FY 2008-09 expenditures.

BEACON earned \$3,963 for use of money in FY 2007-08, which was a 20% decrease compared to the \$4,937 earned in the prior fiscal year. The Ventura County Treasurer-Tax Collector's Pool earned an average rate of 4.47% in FY 2007-08 for funds invested in the investment pool compared to an average rate of 4.64% in FY 2006-07, including BEACON's allocated portion of the Treasury pool's unrealized gain in the fair value of investments at June 30, 2008.

In FY 2007-08, BEACON expended \$152,298 of grant funds for construction and administrative services compared to \$361,315 spent in the prior year, a decrease of \$209,017. The reason for this decrease was a

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

result of diminished activity funded through grant funds on the Coastal Sediment Management Master Plan and Coast of California Storm and Tidal Wave Study Projects.

In FY 2007-08, BEACON spent \$53,921 for administrative expenses compared to \$60,564 for the prior year. The difference of \$6,643 was due to a reduction in legal and controller expenses.

### **OPERATING FUND BUDGETARY HIGHLIGHTS**

BEACON had a favorable net budgetary variance of \$83,073 due to unspent project funds. All unspent project funds are rolled over to the subsequent fiscal year. The funds will be encumbered when contracts are executed. Additional budgetary information is provided on page 21.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

At the end of the current fiscal year, BEACON did not have any capital assets.

#### **Debt Administration**

At the end of the current fiscal year, BEACON did not have any long-term obligations outstanding.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The prior year Coastal Sediment Management Master Plan project funded by grants from the Department of Boating and Waterways has been completed.
- The prior year Coast of California Storm and Tidal Wave Study funded by grants from the Department of Boating and Waterways was not entirely spent. The balance has been included in the FY09 budget for this project. It is anticipated that all remaining grant funds for this project will be expended in FY09.
- An additional \$150,000 was added to an existing Department of Boating and Waterways grant of \$150,000 for the ongoing Coastal Regional Sediment Management Plan. The additional grant funds will be used to develop a programmatic environment document for the projects recommended by the Management Plan already prepared. The majority of these supplemental grant funds will be expended in FY09.

BEACON will be pursuing other grant revenues in FY09 and it is expected that BEACON will be successful in securing additional grant funds.

During the current fiscal year, unreserved fund balance in the general fund increased to \$84,705. BEACON has appropriated the total amount for spending in the fiscal year 2008-09 adopted budget with \$28,654 appropriated in contingencies to allow for unexpected expenditures during the fiscal year.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of BEACON's finances for all those with an interest in BEACON's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Christine L. Cohen, BEACON Chief Financial Officer, County of Ventura, 800 South Victoria Avenue, Ventura, California, 93009.



# **BASIC FINANCIAL STATEMENTS**



BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
BEACON  
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

ASSETS

Cash and investments with County Treasurer	\$	96,339
Accounts receivable		74,905
Interest receivable		<u>879</u>
Total assets	\$	<u>172,123</u>

LIABILITIES

Accounts payable	\$	83,496
Deferred revenue		<u>3,922</u>
Total liabilities		<u>87,418</u>

NET ASSETS

Unrestricted		<u>84,705</u>
Total net assets	\$	<u>84,705</u>

See the accompanying notes to the basic financial statements

BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
BEACON  
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		<b>Program Revenues</b>		Net (Expenses)
		Assessment	Grant	Revenues and Changes
	<u>Expenditures</u>	<u>Dues</u>	<u>Revenue</u>	<u>in Net Assets</u>
<b><u>Functions/Programs</u></b>				
Governmental activities:				<b>Total</b>
Administrative	\$ 41,861	\$ 56,902	\$ 12,060	\$ 27,101
Technical and Engineering Services	155,001	2,703	141,778	(10,520)
Other expenditures	<u>12,395</u>	<u>12,395</u>	<u>-</u>	<u>-</u>
Total governmental activities	\$ <u>209,257</u>	\$ <u>72,000</u>	\$ <u>153,838</u>	16,581

**General Revenues**

Interest and investment earnings	<u>3,963</u>
Change in net assets	20,544
Net assets, July 1, 2007	<u>64,161</u>
NET ASSETS, JUNE 30, 2008	\$ <u>84,705</u>

See the accompanying notes to the basic financial statements

BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
BEACON  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2008

	<u>General</u>
<u>ASSETS</u>	
Cash and investments with County Treasurer	\$ 96,339
Accounts receivable	74,905
Interest receivable	<u>879</u>
Total assets	<u>\$ 172,123</u>
<u>LIABILITIES AND FUND BALANCES</u>	
<u>Liabilities:</u>	
Accounts payable	\$ 83,496
Deferred revenue	<u>3,922</u>
Total liabilities	<u>87,418</u>
<u>Fund balance:</u>	
Unreserved	<u>84,705</u>
Total fund balance	<u>84,705</u>
Total liabilities and fund balance	<u>\$ 172,123</u>

See the accompanying notes to the basic financial statements

BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
 BEACON  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>
<u>REVENUES</u>	
Grant revenue	\$ 153,838
Assessment dues	72,000
Investment earnings	<u>3,963</u>
TOTAL REVENUES	<u>229,801</u>
<u>EXPENDITURES</u>	
Administrative	
Project management	29,556
Accounting services	16,117
Legal services	5,448
Annual audit	<u>2,800</u>
TOTAL ADMINISTRATIVE	53,921
Technical	
Technical and engineering services	<u>142,941</u>
TOTAL OPERATIONAL	<u>142,941</u>
Other	
Membership	2,000
Consulting	10,000
Miscellaneous office expenses	<u>395</u>
TOTAL OTHER	<u>12,395</u>
TOTAL EXPENDITURES	<u>209,257</u>
CHANGES IN FUND BALANCE	20,544
FUND BALANCE, BEGINNING OF YEAR	<u>64,161</u>
FUND BALANCE, END OF YEAR	<u>\$ 84,705</u>

See the accompanying notes to the basic financial statements

**BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
(BEACON)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

B.E.A.C.O.N. was established by a Joint Powers Agreement on July 1, 1986, by the Cities of Carpinteria, Oxnard, Port Hueneme, Santa Barbara, and Ventura, and the Counties of Santa Barbara and Ventura (member agencies). This Joint Powers Agency was established under authority of Title 1, Division 7, Chapter 5 of the California Government Code (6500 et seq.). On May 14, 1999, an amended Joint Powers Agreement established a name change to Beach Erosion Authority for Clean Oceans and Nourishment (BEACON). The City of Goleta joined BEACON in fiscal year 2003-04.

BEACON is a public entity separate and apart from any Member Agency. All powers of BEACON are exercised by the Board of Directors. The Board of Directors is composed of one designated representative and one alternate from each member city, and two designated representatives and two alternates each, from the County of Santa Barbara and the County of Ventura. Each designated director and alternate must be a mayor, councilperson or supervisor.

The purpose of BEACON is to foster greater cooperation toward the maintenance and enhancement of the beaches within the jurisdiction of BEACON member agencies.

BEACON accounts for its financial position and results of operation in accordance with generally accepted accounting principles (GAAP) applicable to governmental units.

*External Investment Trust.* BEACON participates in an external investment trust fund managed by the County of Ventura Treasurer. The County Treasurer's investment pool is defined in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The external investment pool commingles the moneys of more than one legally separate entity, not part of the sponsor's reporting entity, and invests on the participants' behalf in an investment portfolio for the purpose of increasing investment earnings.

*Fund Accounting.* The accounts of BEACON are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

General Fund – The General Fund accounts for the legally authorized activities of BEACON. For financial reporting, the General Fund includes grant and investment revenues and program and administrative expenditures. The activity of an agency fund is combined with the General Fund. The agency fund records advances received from its member agencies and various grants.

**BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
(BEACON)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

**GOVERNMENTAL ACCOUNTING STANDARD BOARD STATEMENTS**

GASB Pronouncements. BEACON has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues," respectively. They establish accounting and financial reporting standards over the recording of nonexchange transactions (e.g. grants).

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments. In March 2000, the GASB issued interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. In June 2001, the GASB issued Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments—Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures. BEACON adopted these pronouncements as of July 1, 2003.

For the fiscal year ended June 30, 2005 and periods thereafter, BEACON implemented GASB Statement No. 40, *"Deposit and Investment Risk Disclosures – an amendment of FASB Statement No. 3."* This Statement is effective for the fiscal period beginning after June 15, 2004. This Statement addresses common deposits and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Cash and investment policies related to the risks identified in this Statement are also required to be disclosed. Implementation of GASB Statement No. 40 did not have an impact on BEACON's financial statements for the year ended June 30, 2008, but required additional disclosures related to cash and investment risks.

**BASIS OF PRESENTATION**

The basic financial statements of BEACON are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net assets and the statement of activities and display information about the primary government (BEACON). BEACON reports only governmental type activities. The statement of activities presents a comparison of direct expenses and program revenues. Direct expenses and program revenues are those that are specifically associated with a program or function. Revenues that are not presented as program revenues are presented as general revenues.

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance. These statements are presented on a current-financial resources measurement focus. Under this method, revenues are recognized when measurable and available to finance expenditures of the



**BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
(BEACON)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

current period. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

BEACON reports only governmental funds as follows:

General fund – The General fund accounts for the legally authorized activities of BEACON. For financial reporting information, the general fund includes the state grants and investment revenue and program and administration expenditures.

### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting.

The governmental-wide financial statements use the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net assets. Under the accrual basis of accounting, revenues and contributions are recognized in the period in which they are earned and become due; expenses are recognized in the period incurred.

The accompanying fund financial statements have been prepared using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet.

The fund financial statements have been prepared using the modified accrual basis of accounting. The modified accrual basis of accounting is defined as the basis of accounting under which expenditures are recorded at the time liabilities are incurred. Revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” is defined as the amount that can be determined. “Available” is defined as collectible in the current period or soon enough thereafter to be used to pay the liabilities of the current period. The availability period is defined as six months. Revenue sources of BEACON susceptible to accrual include state grants and interest on investments.

The accounting policies of BEACON conform with generally accepted accounting principles. The following summary of the Agency’s more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

### **Budgetary Information**

BEACON is required to adopt an annual budget and voluntarily adheres to the provisions of the applicable sections of the California Government Code on budgetary matters, commonly known as the County Budget Act. Annually, the Board conducts a public hearing for discussion of the proposed budget. The Board adopts the final budget including revisions. Subsequent revisions, which occur during the year, are also adopted by the Board.

**BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
(BEACON)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

**Encumbrances**

When applicable, purchases and other significant commitments are recorded as encumbrances when purchase orders or contracts are issued. These encumbrances represent a reservation of fund balance. When the related goods or services are received, the encumbrance is reversed and an expenditure and liability for payment to the vendor are recorded. All unencumbered and unexpended appropriations lapse at the end of each fiscal year and become available for financing of next year's budget. Encumbered appropriations are reappropriated in the next year's budget. No encumbrance balances remained at June 30, 2008 and none were reappropriated.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimate useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. There were no capital assets at June 30, 2008.

**Use of Estimates**

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. CASH AND INVESTMENTS**

In March 2003, GASB issued Statement 40, *Deposits and Investment Risk Disclosures - an Amendment of GASB Statement No. 3*. The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. This statement establishes and modifies disclosure requirements related to common deposit and investment risks: credit risk (including custodial risk and concentration risk), interest rate risk and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposits and investment policies related to the risk identified in this statement are also disclosed. The County implemented this new reporting requirement for its fiscal year 2004-05 basic financial statements, and accordingly, BEACON (Agency) implemented the statement concurrent with the County. Due to the nature of Agency's deposits, this statement had no significant impact on the Agency's financial statement risk disclosures.

Substantially all cash as of June 30, 2008 is held by the investment pool managed by the County Treasurer. As provided for by California Government Code Section 53635, the cash balances are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. The County Treasurer invests Agency funds in accordance with state statutes and the County's investment policy, as approved by the Treasury Oversight Committee and the County Board of Supervisors. The policy emphasizes safety, liquidity and yield and follows the "prudent investor rule." The County Treasurer is authorized by Government Code Section 53635 to invest in obligations of the U.S. Treasury, agencies and

**BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
(BEACON)  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

instrumentalities, banker's acceptances, commercial paper, corporate bonds and notes, repurchase agreements, obligations of the State of California and obligations of any local agency within California. Investment earnings are allocated based on average daily balance in the Treasurer's pool for the calendar quarter. The earnings are distributed to participants twice per quarter as cash is received, and accrued at year-end.

The County's total pooled investments held by the County Treasurer as of June 30, 2008, are comprised of the following (in thousands):

	<u><b>Fair Value</b></u>	<u><b>Weighted Average Maturity (Years)</b></u>
Commercial paper	532,564	0.10
U.S. Agency obligations	<u>1,204,873</u>	0.93
Total pooled investments	<u><b>\$ 1,737,437</b></u>	0.68

The Agency's cash and investments of \$96,339 consists of a ratable portion of the total investment pool of the County of Ventura (County). Disclosures required by GASB Statement No. 40 - *Deposit and Investment Risk Disclosures* are provided in the County's Comprehensive Annual Financial Report. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are stated at fair value. Fair value is determined based on values provided by the County's investment advisory firm. At June 30, 2008, for the Agency, the net change in fair value from June 30, 2007 (including purchases, sales, and reinvestment of earnings) is a positive \$625. The realized and unrealized gains and losses are included in investment earnings. However, County investments are primarily held to maturity and only actual earnings are distributed to pool participants. Therefore, the unrealized fair value gain is not available for allocation except if actually realized.

### **3. SUPPORT SERVICES**

BEACON has no employees. BEACON contracts with the County of Santa Barbara for legal services and the County of Ventura for accounting services.

### **4. COMMITMENTS AND CONTINGENCIES**

BEACON management is not aware of any outstanding claims or litigation. BEACON has limited revenue sources from member dues and grant revenues. It is dependent on continued available funding and has relied on grant reimbursements and advances from grants to provide cash flow. Careful monitoring is required to assure positive cash positioning for payment of obligations.

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION  
(OTHER THAN MD & A)  
(UNAUDITED)**



BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
BEACON  
BUDGETARY COMPARISON SCHEDULE - ON BUDGETARY BASIS  
GENERAL FUND  
for the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Investment earnings	\$ 3,000	\$ 3,000	\$ 3,338	\$ 338
Assessment dues	72,000	72,000	72,000	-
Grant revenue	<u>373,982</u>	<u>373,982</u>	<u>153,838</u>	<u>(220,144)</u>
TOTAL REVENUES	<u>448,982</u>	<u>448,982</u>	<u>229,176</u>	<u>(219,806)</u>
<u>EXPENDITURES</u>				
Administrative				
Project management	25,000	30,000	29,556	(444)
Accounting services	26,000	26,000	16,117	(9,883)
Legal services	12,000	7,000	5,448	(1,552)
Annual audit	<u>3,500</u>	<u>3,500</u>	<u>2,800</u>	<u>(700)</u>
TOTAL ADMINISTRATIVE	<u>66,500</u>	<u>66,500</u>	<u>53,921</u>	<u>(12,579)</u>
Technical				
Technical and engineering services	<u>383,982</u>	<u>383,982</u>	<u>148,701</u>	<u>(235,281)</u>
TOTAL OPERATIONAL	<u>383,982</u>	<u>383,982</u>	<u>148,701</u>	<u>(235,281)</u>
Other				
Membership and dues	2,000	2,000	2,000	-
Insurance	5,000	5,000	-	(5,000)
Legislative consulting	10,000	10,000	10,000	-
Miscellaneous office expenses	<u>17,500</u>	<u>17,500</u>	<u>395</u>	<u>(17,105)</u>
TOTAL MISCELLANEOUS	<u>34,500</u>	<u>34,500</u>	<u>12,395</u>	<u>(22,105)</u>
Administration contra	(14,700)	(14,700)	(5,760)	8,940
Contingency	<u>41,854</u>	<u>41,854</u>	<u>-</u>	<u>(41,854)</u>
TOTAL EXPENDITURES	<u>512,136</u>	<u>512,136</u>	<u>209,257</u>	<u>(302,879)</u>
NET CHANGE IN FUND BALANCE	(63,154)	(63,154)	19,919	83,073
FUND BALANCE, JULY 1, 2007	<u>63,154</u>	<u>63,154</u>	<u>64,161</u>	<u>1,007</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,080</u>	<u>\$ 84,080</u>

**BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
(BEACON)  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
for the Fiscal Year Ended June 30, 2008**

**BUDGETARY COMPARISONS AND BASIS OF ACCOUNTING**

BEACON adopts a balanced annual budget and voluntarily adheres to the applicable section of the California Government Code on budgetary matters, commonly known as the County Budget Act.

The Budgetary Comparison Schedule, as required by GASB 34 for the General Fund presents the original budget, final budget and actual amount. The “original budget” includes the adopted budget plus appropriations for prior year approved rollover encumbrances. The “final budget” is the budget as Board approved at the end of the fiscal year. The “actual amount” includes the actual revenues and expenditures incurred on a budgetary basis and as adjusted for the basic financial statements. Variances are provided between the Final Budget Amounts and the Actual Amounts on a budgetary basis.

This information is presented as Required Supplementary Information. Analysis of the final budget to actual variances is discussed in the Management’s Discussion and Analysis.

The budget is adopted on a basis of accounting, which is different from the generally accepted accounting principles (GAAP). The primary differences are:

For budgetary purposes, changes in the fair value of investments are not recognized as increases or decreases to revenue. Under GAAP, such changes are recognized as increases or decreases to revenue.

The following schedule is a reconciliation of the difference between the fund balances on the actual on a budgetary basis and the GAAP basis on the fund financial statements at June 30, 2008:

	<u>General</u>
Fund balances - actual on budgetary basis	\$ 84,080
Adjustment:	
Change in fair value of investments	<u>625</u>
Fund balances - GAAP basis	\$ <u><u>84,705</u></u>



# **SUPPLEMENTARY INFORMATION**



**BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
(BEACON)  
PROJECT DESCRIPTIONS**

The projects for BEACON include the following:

**South Central Coast Beach Enhancement Program (SCCBEP):** This project has two phases. Phase I, which is complete, included the development of an environmental document, designs for sand placement and the securing of permits to allow the placement of predetermined maximum quantities of sand per year on five selected beaches. The purpose of Phase II is the placement of suitable opportunistic sand on the permitted beaches during the five year permit life.

**Coastal Sediment Management Master Plan (CSMMP):** The purpose of this project is to evaluate sediment compatibility issues. This project is fully funded through a Department of Boating and Waterways grant. Funding was obligated in January 2004. Subsequent amendments to the grant have raised total funding to a maximum of \$414,270 and have extended the life of the grant to 2009. BEACON is serving as a pass-through contracting agency for these studies. Two studies have been funded through this grant:

- **Sedimentation Study.** This study evaluates the transport and fate of fine sediments discharged into California coastal waters. The rationale for study is a need to better understand the environmental consequences of beach nourishment and, to a lesser degree, harbor dredging. Specifically, it is not currently known how long fine sediments that have been introduced through nourishment, dredging, river mouths persist in the water column. This part was completed during fiscal year 2006-07.
- **Biological Impact Analysis.** This study identifies and assesses all literature sources relating to potential impacts of coastal sediment management activities on biota, habitats and ecosystems. The analysis will assemble known and relevant information for ease of reference, report on and explain the bases for concern, and present a non-biased and balanced critical evaluation of such concerns. The effort will include the development of science-based recommendations to address relevant concerns, consider and recommend ways to facilitate sediment management activities without negatively impacting coastal biota, and provide a balanced and informative discussion on ecosystems versus species approach to resource protection. Completion of this study is anticipated in 2009.

**Coastal Regional Sediment Management Plan (CRSMP):** The purpose of this project is to formulate consensus-driven regional sediment management guidance and policy, under the direction of BEACON. The intended outcome of this effort is to restore and maintain coastal beaches and other critical areas of sediment deficient or excess, reduce the proliferation of protective shoreline structures, sustain recreation and tourism, and enhance public safety and access and to restore coastal sandy habitats. This will establish a master plan for the protection and enhancement of the Central Coasts coastal beach resources. In 2007 BEACON secured an initial \$150,000 in grant funding from the Department of Boating and Waterways for this project. This funded the development of the Management Plan. In 2008 an amendment to the grant for an additional \$150,000 was approved for use in the development of a programmatic environmental document for the Plan recommended projects. The subsequent effort will begin in 2009.

**BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
(BEACON)  
PROJECT DESCRIPTIONS  
(Continued)**

**Coast of California Storm and Tidal Wave Study:** This program seeks to develop regional shore protection/sand management plans for the entire California coastline. The program is being implemented on a region/county basis. The purpose of the study is to gain a better understanding of the underlying processes that govern the width of our beaches and the movement of sand along our coastline. The Central coast BEACON regional study limits are from Point Conception to Point Mugu. The primary benefits of the study will be:

- a better understanding of our local coastal processes and beach erosion problems,
- an improved set of tools to predict future beach erosion patterns in our region, and
- a means for rapidly disseminating the information to interested government planning, engineering and regulatory agencies.

As the local sponsor, BEACON has signed a Feasibility Cost Sharing Agreement (FCSA) with the US Corps of Engineers. The FCSA stipulates that BEACON will be responsible for 50% of the cost of the study, which can be made up of cash or in-kind services. This commitment is non-binding on either party, with the study being delayed if Federal and/or Local funds are not available. In 2005 BEACON received an initial grant in the amount of \$650,000. Subsequent amendments to this grant have added an additional \$300,000 for a total of \$950,000. The current grant termination date is June 2009. BEACON has funded a number of studies with the grant funds the most significant of which are:

- Baseline Surveys by US Geological Survey (USGS) - ONGOING
- Wave Study by Scripps Institute of Oceanography - COMPLETE
- Lidar Surveys by University of Texas Bureau of Economic Geology - COMPLETE

It is anticipated that remaining Grant funds will be expended by BEACON by June 2009.

BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
BEACON  
PROJECT REVENUE AND EXPENDITURES  
for the Fiscal Year Ended June 30, 2008

	CRSMP	CSMMP Sediment Study	CSMMP Turbidity Study	CCSTWS Baseline Study	Total
<b>GRANT REVENUE</b>					
Boating & Waterways #1	\$ 1,440	\$ -	\$ -	\$ -	\$ 1,440
Boating & Waterways #2	26,961	-	-	-	26,961
Boating & Waterways #3	48,609	-	-	-	48,609
Boating & Waterways #4	10,454	-	-	-	10,454
Boating & Waterways #5	9,147	-	-	-	9,147
Boating & Waterways #14	-	-	-	6,026	6,026
Boating & Waterways #15	-	-	-	13,977	13,977
Boating & Waterways #16	-	-	-	480	480
Boating & Waterways #17	-	-	-	16,027	16,027
Boating & Waterways #18	-	-	-	12,979	12,979
Boating & Waterways #19	-	-	-	6,095	6,095
Boating & Waterways #20	-	-	1,523	-	1,523
Boating & Waterways #22	-	-	120	-	120
<b>TOTAL GRANT REVENUE</b>	<b>\$ 96,611</b>	<b>\$ -</b>	<b>\$ 1,643</b>	<b>\$ 55,584</b>	<b>\$ 153,838</b>
<b>EXPENDITURES</b>					
<b>Direct reimbursables</b>					
Boating & Waterways #1	1,440	-	-	-	1,440
Boating & Waterways #2	26,961	-	-	-	26,961
Boating & Waterways #3	48,609	-	-	-	48,609
Boating & Waterways #4	10,454	-	-	-	10,454
Boating & Waterways #5	9,147	-	-	-	9,147
Boating & Waterways #14	-	-	-	6,883	6,883
Boating & Waterways #15	3,480	-	-	10,498	13,978
Boating & Waterways #16	-	-	-	480	480
Boating & Waterways #17	-	-	-	16,026	16,026
Boating & Waterways #18	-	-	-	12,979	12,979
Boating & Waterways #19	-	-	-	6,095	6,095
Boating & Waterways #17	-	-	(3,164)	-	(3,164)
Boating & Waterways #18	-	-	360	-	360
Boating & Waterways #19	-	-	1,090	-	1,090
Boating & Waterways #20	-	-	840	-	840
Boating & Waterways #22	-	-	120	-	120
<b>Total direct reimbursements</b>	<b>\$ 100,091</b>	<b>\$ -</b>	<b>\$ (754)</b>	<b>\$ 52,961</b>	<b>152,298</b>
<b>Non-reimbursable expenditures</b>					<b>56,959</b>
<b>TOTAL EXPENDITURES</b>					<b>\$ 209,257</b>

BEACH EROSION AUTHORITY FOR CLEAN OCEANS AND NOURISHMENT  
BEACON  
PROJECT EXPENDITURES BY CATEGORY  
for the Fiscal Year Ended June 30, 2008

	<u>CRSMP</u>	<u>CSMMP Sediment Study</u>	<u>CSMMP Turbidity Study</u>	<u>CCSTWS Baseline Study</u>	<u>Total</u>
Administration:					
COM3 Consulting	\$ <u>7,980</u>	\$ <u>-</u>	\$ <u>1,800</u>	\$ <u>2,280</u>	\$ <u>12,060</u>
Total administration	<u>7,980</u>	<u>-</u>	<u>1,800</u>	<u>2,280</u>	<u>12,060</u>
Technical:					
Noble Consultants	92,111	-	-	-	92,111
SAIC	-	-	(3,164)	-	(3,164)
University of Texas	-	-	-	2	2
USGS	<u>-</u>	<u>-</u>	<u>610</u>	<u>50,679</u>	<u>51,289</u>
Total technical	<u>92,111</u>	<u>-</u>	<u>(2,554)</u>	<u>50,681</u>	<u>140,238</u>
Total expenditures by project	\$ <u>100,091</u>	\$ <u>-</u>	\$ <u>(754)</u>	\$ <u>52,961</u>	152,298
Non reimbursable expenditures					<u>56,959</u>
Total expenditures					\$ <u>209,257</u>

# COMPLIANCE SECTION





PARTNERS

JAMES E. LUTZ II, CPA  
DAVID M. ERLBAUM, CPA  
SHALENE M. HAYMAN

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Beach Erosion Authority for Clean Oceans and Nourishment (BEACON)

We have audited the financial statements of the Beach Erosion Authority for Clean Oceans and Nourishment as of and for the year ended June 30, 2008, and have issued our report thereon dated January 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BEACON's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BEACON's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects BEACON's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of BEACON's financial statements that is more than inconsequential will not be prevented or detected by BEACON's internal control.

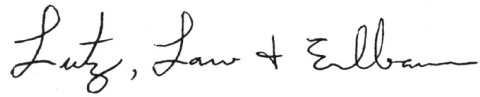
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by BEACON's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the BEACON's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lutz, Law & Erlbaum".

LUTZ, LAW & ERLBAUM  
Camarillo, California  
January 21, 2009